

## MEMORANDUM

TO: Connecticut Locally Elected Officials  
FROM: Senator Joseph Lieberman  
DATE: February 17, 2005  
RE: Federal Budget Issues Affecting Cities and Towns

---

As we begin the fiscal year 2006 (FY06) budget cycle, I would like to have an ongoing dialogue with Connecticut cities and towns about their federal funding needs. This memo identifies some of the major federal programs that support municipalities in the areas of housing & economic development, education, law enforcement, transportation, and homeland security; describes the manner in which funds are allocated to local jurisdictions (either by formula or by competitive grant); and alerts you to the President's recent budget request for each of these programs for FY06 (October 1, 2005 – September 30, 2006).

In theory, each of these programs will be funded by one of 13 annual appropriations bills that comprise the federal budget. Now that the President has submitted his budget proposal, Congress will soon begin to draft these bills. I hope to hear your concerns at an early stage in the budget process, in order to help me advocate for Connecticut before these bills are drafted in the spring. Generally speaking, my appropriations requests to the Appropriations Subcommittees must be submitted by March 15.

Attached for your reference is a detailed timeline and overview of the Congressional budget process (Attachments [A](#) and [B](#)). Once drafted, the 13 appropriations bills are expected to pass each chamber of Congress as separate pieces of legislation, and enacted before the new fiscal year begins on September 1. In practice, however, they are often combined into one or more "omnibus" appropriations bill, as was the case last year, and enacted in the fall or winter after the new fiscal year has started.

### **Sources of Funding for Municipalities**

The federal government administers hundreds of programs benefiting cities and towns, but this memo seeks to highlight those major programs with the greatest fiscal impact for municipalities. Within each area, programs can be grouped in two broad categories:

- 1) **Formula grant programs** receive an appropriation from Congress each year. That money is then distributed to localities according to various formulas prescribed in the law.
- 2) **Competitive grant programs** are also appropriated funds each year by Congress, but municipalities must apply to various federal agencies in order to receive these funds. My web site includes a "Federal Funding" page (see <http://lieberman.senate.gov/funding/index.html>) links to each new "Notification of Federal Funding Assistance" (NOFA) most applicable to Connecticut communities and organizations. My state office in Hartford can also assist you in navigating the maze of federal programs and identifying federal funding for which your locality may be eligible.

Following is a brief summary of major federal programs affecting municipalities in the areas of housing & economic development, education, law enforcement, transportation, and homeland security:

## **I. HOUSING & ECONOMIC DEVELOPMENT PROGRAMS**

President Bush's "Strengthening America's Communities Initiative" in the FY06 budget request would consolidate 18 community and economic development programs now totaling \$5.3 billion into a new, and significantly reduced, \$3.7 billion program to be run by the Commerce Department. The Community Development Block Grant (CDBG) is a part of this consolidation and is discussed below. The stated goal is to target these funds toward the poorest neighborhoods and streamline the administration of the programs, and the proposal would condition all future funding on a series of performance measures. Attached is a list of the 18 programs that the President's FY 2006 budget proposes to consolidate (Attachment C). It should be noted that opposition to this proposal is now the U.S. Conference of Mayors' top legislative priority.

Below are the major areas of federal housing and community development support for cities:

### **Formula Grants**

**U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant**. Having already been cut 4 percent in the FY 2005 Omnibus Appropriations bill, the \$4.15 billion CDBG program would be eliminated in the Bush budget, as discussed above. CDBG funds are currently distributed to municipalities by formula, and cities have wide latitude over their use. Communities with populations greater than 50,000 are currently guaranteed some CDBG funding, but since the President's consolidation proposal would eliminate CDBG, it would end that guarantee.

**HUD Section 8 Housing Choice Voucher Program**. Unlike CDBG funds, money to support Section 8 housing vouchers flows directly to public housing authorities (PHAs). HUD reimburses PHAs through a formula based on the fair-market rent in the local area. The President's budget proposes \$14.1 billion for tenant vouchers, a 5 percent increase over FY05 funding.

### **Competitive Grants**

**HUD HOME Investment Partnerships**. This program, which helps municipalities provide homeownership assistance, was cut 7 percent in last year's FY 2005 Omnibus Appropriations bill. The Administration is generally supportive of the HOME Program, however, and has proposed level funding of approximately \$1.9 billion.

**HUD HOPE VI programs**. Under Hope VI, public housing authorities can apply for funding to build or revitalize mixed-income housing. Hope IV received \$143 million last year, but has been slated for elimination in the President's Budget once again this year.

**Economic Development Administration (EDA)**. Housed in the Commerce Department, this \$284 million agency provides support for municipalities for a variety of public works projects supporting economic development. Like CDBG, EDA would be

consolidated into the “Strengthening America’s Communities Initiative” under the President’s budget proposal.

## **II. EDUCATION PROGRAMS**

### **Formula Grants**

**Title I (“No Child Left Behind”).** This formula-based program targets funds to localities according to the population of low-income children in each city. The President’s FY06 budget proposes \$13.3 billion for Title I in FY06, a 4.7 percent increase over the FY05, but it also eliminates 48 other education programs totaling \$4.3 billion (Attachment D) and cuts overall federal education funding by 3.7 percent. The Administration also proposes an additional \$1.5 billion to expand No Child Left Behind into high schools.

**Individuals with Disabilities Education Act (IDEA).** For more than 20 years, federal law has announced Congress’s intention to finance 40 percent of the per-pupil costs of special education. Yet, in practice, federal support has averaged only 18-19 percent. The President’s budget proposes \$12.2 billion for all IDEA programs, including \$11.1 billion for IDEA Grants to States, a 4.7 percent increase over the FY05 level.

## **III. LAW ENFORCEMENT PROGRAMS**

### **Formula Grants**

**Byrne Justice Assistance Grants program.** The FY05 Omnibus Appropriations bill merged the **Local Law Enforcement Block Grant (LLEBG)** and the **Byrne Formula Grant** program into a \$634 million **Byrne Justice Assistance Grants** program, which distributes 60 percent of its funds to the states and 40 percent to municipalities by formula. The President’s FY06 budget, however, proposes to eliminate this grant program, claiming that it has not demonstrated its effectiveness in reducing crime.

### **Competitive Grants**

**Community Oriented Policing Services (COPS) Program.** This \$606 million program provides competitive grants for municipalities to hire, train and equip law local enforcement. President Bush’s FY06 budget would cut the program to \$22 million.

## **IV. TRANSPORTATION PROGRAMS**

Federal highway and mass transit programs receive unique budgetary treatment. Highway and transit funding levels are determined every six years in a highway reauthorization bill, not in the annual appropriation process. The last such reauthorization, “TEA-21,” expired in October of 2003, and Congress has yet to enact a successor bill to TEA-21. Connecticut faces an uphill battle against Sunbelt states seeking to redistribute highway funding toward the South and West, but is likely to benefit from new transit formulas if they reward states with high population densities.

Two years ago, the President proposed \$256 billion for highway, rail, and mass transit programs over six years. The Senate, by contrast, passed a more robust reauthorization bill with \$318 billion in funding for these programs, while the House bill included an intermediate funding level of \$284 billion. The last Congress ended with the two Houses deadlocked over a reauthorization level, but this year, the President has proposed a six-year transportation funding figure approximately equal to last year's House-passed level of \$284 billion.

Transit funding is generally directed to localities, whereas almost all federal highway funding is distributed directly to the states via formulas. Funding for both highway and transit projects is generally provided with a 20 percent local match requirement.

### **Formula Grants**

**Fixed-Guideway Modernization.** This program provides funds to local transit systems to modernize or improve existing rail or fixed guideway systems. The President's budget requests \$1.3 billion for this program, slightly higher than last year's funding level of \$1.2 billion.

**Urbanized Area Formula program.** This program provides funds for cities with populations greater than 50,000 for transit capital and operating assistance in urbanized areas. It received \$3.6 billion in FY05. The President's budget request would provide \$3.7 billion for FY06, and the budget also proposes to consolidate this and a number of other formula programs into one \$6 billion program.

### **Competitive Grants**

**Major Capital Investments ("New Starts").** This program provides competitive grants for construction of new fixed guideway systems or extensions to existing fixed guideway systems. The President's budget requests \$1.5 billion for this program, slightly more than the \$1.45 billion appropriated last year.

## **V. HOMELAND SECURITY PROGRAMS**

The U.S. Department of Homeland Security (DHS) provides grants to large, high-risk cities under the Urban Area Security Initiative (UASI). Beyond this, DHS sends very little grant funding directly to municipalities, instead targeting most such funding to the states, which are required to pass through 80% of funds to local governments. In FY06, the Administration proposes to change the state homeland security grant program from a formula grant program to a competitive grant program and target these grants to regions facing the greatest likelihood of attack and with the greatest unmet needs. The Senate Committee on Homeland Security and Governmental Affairs, of which I am Ranking Member, is scrutinizing this proposal carefully.

### **Formula Grants**

**Urban Area Security Initiative (UASI).** This program uses a risk-based formula to provide homeland security funding to cities at the discretion of the Secretary of Homeland Security, but in FY05 only those with populations greater than 225,000 within the city limits were eligible for these dollars. There is no application process; DHS gives

out this money in accordance with its own internal criteria. Congress appropriated \$885 million in FY05, and the President's budget proposes \$1.02 billion for FY06.

### **Competitive Grants**

**Firefighter Assistance Grants Program.** Under this program, local fire departments can apply for funds to pay for vehicles, equipment, and training for first responders. The program received \$715 million in FY05, but President Bush has proposed to cut this funding to \$500 million in FY06.